

AMENDMENTS TO THE SPECIFICATION

Please replace paragraph [0023] with the following amended paragraph:

Q1 [0023] To the extent that the instrument provides for a sinking fund, then in another embodiment, indebtedness in excess of the designated threshold is not redeemable until the other indebtedness is fully redeemed. The subordinated debt is deemed a new series under the Indenture or instrument and a new Trustee is appointed for the series, in the event of a default, to comply with the Trust Indenture Act. The prohibition against the formation of groups prohibits "ad hoc committees" ~~"d hoc committees"~~ of bond holders who aggregate economic and voting power against the issuer. Such terms in the instrument or the indenture are disclosed in the offering circular or prospectus and are binding on the initial purchasers at the time of purchase and thereafter on all subsequent holders. Such consensual arrangements protect the company from accumulators. Since such provision is simple and effective, an investor will not want to cross the threshold. In other words, once the line is drawn, it will be honored.

Please replace paragraph [0024] with the following amended paragraph:

Q2 [0024] Once the debt instruments are issued, investors holding the debt instruments may trade them on a secondary market. Although an investor or group of investors may not initially acquire or hold sufficient debt instruments to cross the threshold, during this secondary market trading, they may acquire a sufficient quantity of the particular debt instrument in the secondary market that their holdings cross the threshold. At step 208, the debt instruments holdings of various investors and groups are monitored to ~~detect this~~ ~~deterctthis~~ event. There are numerous methods for monitoring concentration of debt instruments by individual investors or groups of investors acting in concert, and the method used is not unique to the invention.

Please replace paragraph [32] with the following amended paragraph:

Q³ [0032] At step 304, after the debt instruments have been issued, the company announces that it has concluded that it is not in the best interests of its shareholders for its debt to be accumulated and adopt a debt rights plan, much in the same way companies announce an equity Poison Pill. In this step, the Board determines the debt concentration threshold, and at step 306, the concentration threshold is associated with the already issued debt instruments. The debt rights plan provides that in the event that any entity or group crosses the designated percentage threshold, the company will issue Rights to its security holders allowing them during a sixty-day period to voluntarily exchange their debt instrument for an instrument which is secured by the assets of the company, subordinated to claims of all superior indebtedness. In other words, in the event of default or liquidation, the holders of the newly exchanged securities can look to the assets of the corporation in preference to the security holders of pari passu debt not entitled to be exchanged. The collateralization provision requires consents of senior indebtedness, which would likely limit liens on all debt, but the new lien can be ~~drafted~~ effective to be ~~effective~~ only when the newly exchanged debt has a right to payment and all senior debt claims have been satisfied. Therefore, such collateralization does not interfere with any of the rights of the indebtedness. Such consents from senior debt should be obtainable where the corporation is not in default and would be put in a precarious position by debt holders seeking an early exchange of securities or rates that would deplete assets that should be available to the senior debt. More difficult is the situation where the subject debt has its own limitation on liens provision, but that too can be managed by offering a non-current pay interest rate increase or an earlier maturity, which effectively subordinates the instrument in the hands of the accumulator. No consents from senior debt are required where such adjustments are made. The securities to be

exchanged can be offered to the holders who hold securities in excess of the designated percentage limiting such accumulators to exchanges up to the designated percentage or the rights can exclude accumulators' indebtedness entirely. The choice to be made depends on the circumstances giving rise to the issuance of the debt rights plan. Generally, it would be favorable to encourage the accumulator to exchange or give the accumulator the opportunity to do so, up to the designated percentage, since this encourages disposition of the excess. In any event, this embodiment of the invention is also prophylactic and provides a line above which accumulators will not cross, in the same way stock accumulators will not cross the poison pill threshold. It should be noted that the new security exchanged will bear the subordination provisions described for new issuances of securities. Thus, this new instrument will, by its own terms, limit accumulations. All such exchanges can be effected on a tax free basis to the corporation and the debt holders.
